

International Visitations to the U.S. from

MEXICO

INTERNATIONAL INBOUND TRAVEL MARKET PROFILE

2018



SUMMARY

Mexico is the second largest U.S. inbound market (after Canada) and accounted for 23% of all international visitations in 2018. The U.S. welcomed 18.5 million overnight arrivals from Mexico in 2018, the vast majority (85%) of which crossed a land border, while a minority (15%) arrived by air (day trips are not included in the count). The U.S. accounted for 83% of all international overnight trips by Mexicans in 2018.

MEXICO MARKET SUMMARY, 2018

U.S. Visitations from Mexico	18.5 million
Travel Spending	\$9.3 billion
Average Spending Per Visitor	\$668
Total U.S. Travel Exports	\$21.0 billion
U.S. Travel Trade Balance	\$0.9 billion

MACRO OVERVIEW

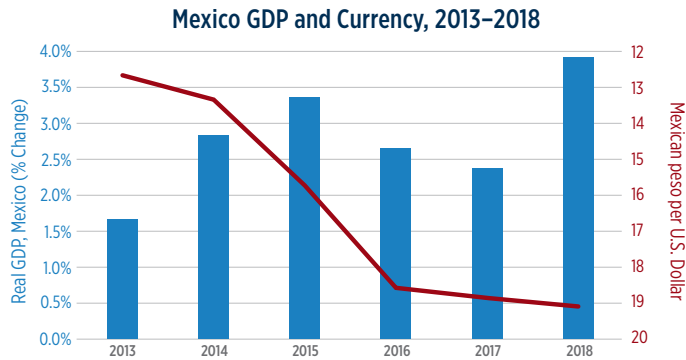
With a \$1.2 trillion economy and a population of 126 million, Mexico ranks 15th (in GDP) and 10th (in population) globally. Services account for two thirds of the Mexican economy, industry accounts for 31% and agriculture makes up for 3.4%. Mexico has become increasingly diversified and engaged in the global economy over the past several decades. Mexico has trade agreements with 46 countries, more than any other nation, and has already ratified the USMCA free trade agreement (the update to NAFTA) ahead of the U.S. and Canada.

Free Trade Agreement	Global Entry	Pre-Clearance	Open Skies
✓	✓	✗	✗

Since 2000, exports have grown from 25% to 40% of Mexico’s GDP. The U.S. is Mexico’s largest trading partner, in fact, and 80% of Mexico’s merchandise exports are sold to the U.S. Due to this dependency, Mexico’s economy, including travel, is closely linked with conditions in the U.S.

Following double-digit inflation in the 1990s, successful fiscal and monetary policies have contained inflation over the past decade. Still, the Mexican economy has been decelerating over the past few years. After growing 2% in 2018, real GDP is expected to increase just 0.5% in 2019, while accommodative fiscal and monetary policies are expected to help boost the Mexican economy in coming years.

For the first time, Mexicans elected a candidate in 2018 (President Andres Manuel Lopez Obrador of the National Regeneration Movement) who is not a member of one of the country’s two main political parties.



Source: Oxford Economics

Inbound Travel to Mexico and Impact of Mexico Tourism Board Closure

With 41 million international tourist arrivals in 2018, Mexico ranked as the seventh-largest global inbound market. International travelers spent \$22.4 billion in Mexico in 2018.

Despite the importance of travel and tourism to Mexico's economy, the Mexico Tourism Board closed 17 of its 21 international offices in February 2019 and now intends to rely on Mexican embassies, as well as destination marketing organizations and the private sector, to promote the country to international travelers. The Mexican government intends to reallocate the nearly \$300 million earmarked for international travel promotion to construct a train along the Mayan Peninsula in order to promote economic growth (including tourism) in other more-rural and less-developed areas of the Yucatan Peninsula.

At a time when the country still faces negative perceptions around crime and safety, the Mexico Tourism Board played a significant role in strengthening Mexico’s reputation as a safe destination. Without an overall umbrella brand and consistent messaging, it is expected that the country’s tourism industry will be affected, though just how much remains to be seen. However, in order to mitigate potential fallout, several in the private sector, including business and local DMOs, are spearheading privately-funded marketing campaigns to directly promote some of the top tourist destinations in the country.

TRAVEL IMPACT: VISITATION

After declining by 6.1% in 2017, visitations from Mexico to the United States grew by 3.9% in 2018 and reached 18.5 million (excluding day trips). Mexico accounted for 23% of all international visitations to the U.S. (down from 24% in 2015) and the U.S. accounted for 83% of all international travel from Mexico in 2018 (down from 87% in 2015).

Unlike overnight visitations from Canada, which are roughly equally split between cross-border air and land travel, the vast majority of visitations from Mexico (85%) involve land border crossings.

The growth trends of Mexican air and land crossings into the U.S. also vary strongly, unlike those from Canada. In 2018, land crossings by Mexican overnight visitors grew by 3.0%, while air visitations grew by 9.6%. This is significant due to the fact that air travelers from Mexico generally come from wealthier areas of the country (particularly Mexico City) and are able to spend more than travelers who come by land, mostly from border areas.

In the first half of 2019 (monthly data for 2019 is only available through June as of September 2019), total visitations from Mexico declined by 7.4% compared to the first half of 2018. The difference between air and land continued to be significant. While visitations involving a land border crossing declined by a staggering 10.1%, visitations involving direct air travel grew by an impressive 9.6%.

TRAVEL IMPACT: ECONOMIC

Valued at \$21.0 billion in 2018, travel had a positive contribution on the U.S. trade balance with Mexico. Since travel exports to Mexico are estimated at \$21.0 billion and travel imports (i.e., spending by U.S. travelers in Mexico) are estimated at \$20.1 billion, the result is a \$0.9 billion travel trade surplus with Mexico in 2018 that helped lower the overall trade deficit of the U.S. with Mexico. In fact, without travel, the 2018 overall trade deficit with Mexico of \$78.6 billion would have been \$79.5 billion, or 1.2% larger.

Mexico accounts for 8.2% of total U.S. travel exports to all countries and ranks third, behind only China and Canada.

While Travel Spending by Mexican visitors accounted for 44% of U.S. Travel Exports to Mexico in 2018 and Mexican passenger fares accounted for an additional 15%, a large portion of travel exports (38%) reflected health-related spending and spending by border and seasonal workers.

For more about the contribution of visitations from Mexico to America's trade balance, see the Addendum, Page 4.

MAJOR TRAVELER CHARACTERISTICS

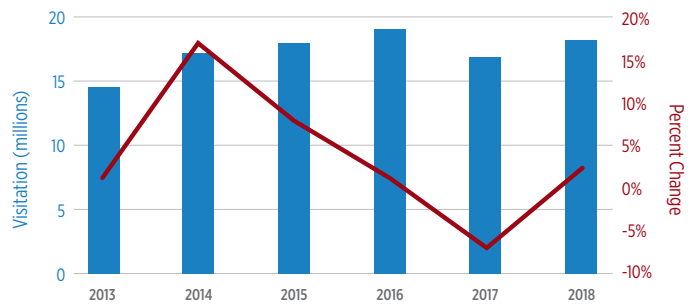
Travel Characteristics for Mexican visitors to the U.S., published by the U.S. Department of Commerce are available only for Mexican air travelers.

In 2018, 21% of Mexican air travelers visited California and 18% visited Texas and Florida. Top cities visited included Los Angeles (13%), New York City (12%), Houston (11%) and Las Vegas (10%)

- The average Mexican air traveler spends six nights visiting the U.S.
- Main purposes of visiting the U.S. are: vacation (53%), visiting friends/relatives (21%), business (17%), convention/trade show (5%) and education (3%)
- Top activities in the U.S. include: shopping, sightseeing, amusement/theme parks, national parks, art gallery/museum and fine dining
- 12% of Mexican air travelers visited the U.S. for the first time

For more Traveler Characteristics and Demographics see Addendum, Page 5.

Mexico Visitation to the U.S., 2013-2018



Source: U.S. Department of Commerce

CHARACTERISTICS AT GLANCE



6 NIGHTS
Average Visit



53%
on Vacation



18%
Visited California



18%
Visited Florida



12%
First trip to the U.S.



SHOPPING
is a top activity

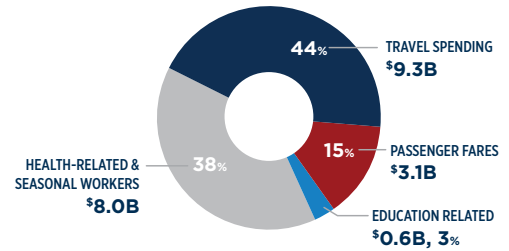
TRAVEL FROM MEXICO TO THE U.S. IS “MADE IN AMERICA”

1 Spending by Mexican residents in the U.S. produced \$21.0 billion in export income for the U.S. economy.

Although travelers from Mexico are physically on U.S. soil when they visit the United States, the goods and services they consume while in America are U.S. exports. In 2018, U.S. travel exports to Mexico are estimated at \$21.0 billion, which includes travel spending by Mexican visitors to the U.S., education-related expenses by Mexicans in the U.S., health-related expenses and spending of border/seasonal workers, as well as international passenger fares by Mexicans flying on U.S. airlines.

In the case of Mexico, spending by border/seasonal workers is particularly high and, together with health-related spending (likely much lower), accounted for 38% of all U.S. travel exports in 2018.

Breakdown of U.S. Travel Exports to Mexico



Total U.S. Travel Exports to Mexico = \$21.0 Billion

Source: U.S. Department of Commerce

2 Travel accounted for 7% of all U.S. exports to Mexico in 2018

International travel accounted for 63% of total U.S. services exports and 7.0% of all exports of goods and services from the U.S. to Mexico in 2018.

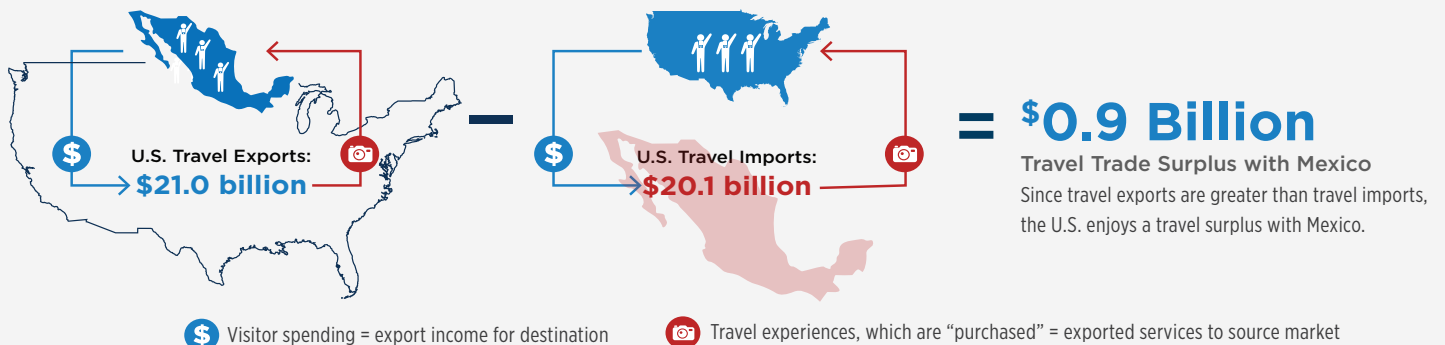
Mexico is the third largest U.S. travel export market (accounts for 8.2% of total travel exports), behind only China and Canada.

3 Travel generated a \$0.9 billion trade surplus in 2018.

After taking into account U.S. resident spending in Mexico (\$20.1 billion), the U.S. had a \$0.9 billion travel trade surplus with Mexico. Without this surplus, the 2018 trade deficit with Mexico of \$78.6 billion would have been \$79.5 billion, or 1.2% larger.

CALCULATING THE TRAVEL TRADE BALANCE WITH MEXICO

Spending by Mexican visitors constitutes a U.S. travel export while spending by U.S. residents in Mexico constitutes a U.S. travel import.



TRAVEL CHARACTERISTICS AND DEMOGRAPHICS

TOP MOTIVATIONS FOR INTERNATIONAL TRAVEL¹



Urban Attractions



Shopping



Dining/Gastronomy



Cultural/Historical Attractions



Local Lifestyle

IMPRESSIONS OF THE U.S.¹

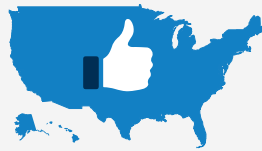
DIVERSE

DOWN-TO-EARTH

ADVENTUROUS

OPEN-MINDED

TRENDY



54% say the U.S. is a top desired destination²

PLANNING/BOOKING BEHAVIORS

	2018	2017
Use of social media to plan trip ²	37%	37%
Pre-paid package ³	6%	6%
Average trip decision time in days ³	61	58

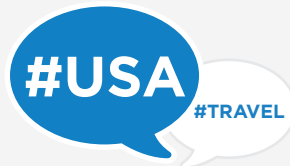
MOST INFLUENTIAL CONTENT WHEN DECIDING ON DESTINATION²

THEME PARKS

FAMILY FUN

HOTELS AND LODGING

RESTAURANTS AND FOOD



37% use social media to plan trip²

DETERRENENTS TO VISITING THE U.S. ²	2018	2017
Unfavorable currency exchange rate	32%	44%
Uncomfortable with national politics	29%	34%
USA is too expensive	26%	35%
Security policies too difficult	26%	-
Cost of airfare	22%	-
I don't feel welcome in the USA	22%	24%
Concerns about my personal safety	20%	22%

PRIMARY TRIP PURPOSE ³	2018	2017
Vacation/holiday	53%	50%
Friends and Relatives	21%	23%
Business	17%	16%
Convention/trade show	5%	7%
Education	3%	2%

ACTIVITY PARTICIPATION ³	2018	2017
Shopping	83%	81%
Sightseeing	65%	65%
Amusement/Theme Parks	28%	29%
National Parks/Monuments	24%	24%
Art Gallery/Museum	24%	22%
Experience Fine Dining	23%	22%

DEMOGRAPHICS ³	2018	2017
Average age	39.0	39.8
Annual household income (mean)	\$56,163	\$53,709

1. Brand USA

2. Destination Analysts, 2018

3. National Travel and Tourism Office